

SCOTT WOODBURY
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0320
BAR NO. 1895

RECEIVED

2009 OCT 16 PM 1:34

IDAHO PUBLIC
UTILITIES COMMISSION

Street Address for Express Mail:
472 W. WASHINGTON
BOISE, IDAHO 83702-5918

Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF A REVIEW OF THE)
SURROGATE AVOIDABLE RESOURCE (SAR)) **CASE NO. GNR-E-09-03**
METHODOLOGY FOR CALCULATING)
PUBLISHED AVOIDED COST RATES)
)
) **SUR-REPLY COMMENTS OF**
) **THE COMMISSION STAFF**
)

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Notice of Further Scheduling issued in Order No. 30922 on October 6, 2009, submits the following comments.

BACKGROUND

On August 6, 2009, the Idaho Public Utilities Commission (Commission) opened a generic docket (Case No. GNR-E-09-03) to assess the continued viability of the Commission's existing proxy unit or surrogate avoided resource (SAR) methodology for calculating published avoided cost rates. Specifically, the Commission noticed its intent to explore the continued reasonableness of using published avoided cost rates as presently calculated for all QF resource types.

To establish a basis for discussion and analysis and to determine the nature and scope of further procedure, the Commission solicited input from Avista, Idaho Power, and PacifiCorp and other interested parties including Staff. Specifically, the Commission sought answers to questions posed in its Notice. Timely comments were filed by Idaho Power, Avista, PacifiCorp, Idaho Wind Farms, Sagebrush Energy, and Commission Staff. Late comments submitted by Idaho Forest Group were also accepted by the Commission.

On September 29, 2009, the Exergy Development Group filed reply comments in response to the initial round of comments submitted by the utilities and other parties. Staff now wishes to submit sur-reply comments for the purpose of correcting Exergy's misrepresentations of Staff's positions.

CORRECTION OF MISREPRESENTATIONS OF STAFF'S POSITIONS

On page 5 ¶ 3 of Exergy's comments, Exergy states "The utilities and Staff now propose abandoning the published, natural gas-fired, CCCT SAR methodology, and replacing it with a wind SAR." To be clear, Staff did not propose to abandon the natural gas-fired CCCT SAR. On page 10 of its comments, Staff clearly states the following: " Staff believes that if a wind SAR is adopted, it should be used only to compute avoided cost rates for wind QFs. The existing gas CCCT SAR should continue to be used to compute rates for all other resource types."

Similarly, on this same issue, Exergy also misrepresents the position clearly stated by Rocky Mountain Power (RMP). RMP in its comments at page 4 ¶ 2b stated "In general, RMP proposes that the Commission consider developing a separate SAR methodology for intermittent resources such as wind and retaining the existing SAR methodology for thermal and/or baseload QF projects. This would retain the current SAR methodology model but use two different surrogate avoided resources - one for wind and one for baseload thermal QF projects."

Exergy also mischaracterizes Staff's comments when it states on page 5 ¶ 3 "According to them [the utilities and Staff] , the published SAR provides QFs with an avoided cost rate that is higher than rates awarded to wind energy projects acquired through the competitive bidding process." In its comments, Staff reached no conclusion about whether the current avoided cost rates are higher than the prices paid by the utilities to acquire wind energy through the competitive bidding process. Instead, Staff simply questioned whether the utilities would incur a higher price for wind acquired through mechanisms other than PURPA, and suggested that the utilities provide actual cost information that could be used to determine whether wind generation

could be acquired for less under other mechanisms than through PURPA. Staff stated the following in its comments:

Clearly, use of a wind project as an SAR to compute avoided cost rates for wind QFs makes a lot of sense, but whether it is necessary is a separate question. Whether the current published avoided cost rates are a fair price for wind generation should probably be determined by examining the costs utilities would incur to acquire wind through mechanisms other than PURPA. If a utility is acquiring or planning to acquire the same type of resources under RFP processes as it is being obligated to acquire under PURPA, the prices for the same type of resources should be similar regardless of the means employed to acquire them. All three of the utilities should have current cost data for wind projects as a result of recent acquisitions, RFPs, or unsolicited proposals. Wind project cost and performance data should be readily available since wind generation has become common in or around the service territories of all three utilities. Staff is hopeful that each of the utilities will provide cost information in this proceeding that will permit fair comparisons between current avoided cost rates and prices for wind acquired through mechanisms other than PURPA.

Staff Comments at 5-6.

As previously stated, Staff submits sur-reply comments strictly for the purpose of correcting misrepresentations made by Exergy. The fact that these sur-reply comments do not address any of the other issues raised by Exergy should in no way be interpreted as concurrence. Staff stands by its initial comments which, in fact, oppose many positions taken by Exergy.

Respectfully submitted this 16TH day of October 2009.

Kristine A. Sasser
for Scott Woodbury
Deputy Attorney General

Technical Staff: Rick Sterling

i:\misc:comments\gnre09.3swrps sur-reply comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 16TH DAY OF OCTOBER 2009, SERVED THE FOREGOING **SUR-REPLY COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. GNR-E-09-03, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

CLINT KALICH
MICHAEL ANDREA
AVISTA UTILITIES
PO BOX 3727
SPOKANE WA 99220-3727

R BLAIR STRONG
PAINE HAMBLÉN ET AL
SUITE 1200
717 W SPRAGUE AVE
SPOKANE WA 99201

BARTON L KLINE
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070

RANDY ALLPHIN
IDAHO POWER COMPANY
PO BOX 70
BOISE ID 83707-0070

DANIEL SOLANDER
PACIFICORP
DBA ROCKY MOUNTAIN POWER
201 S MAIN ST STE 2300
SALT LAKE CITY UT 84111

MARK MOENCH
PACIFICORP
DBA ROCKY MOUNTAIN POWER
201 S MAIN ST STE 2300
SALT LAKE CITY UT 84111

GREG DUVALL
LAREN HALE
PACIFICORP
825 NE MULTNOMAH ST
PORTLAND OR 97232

TED WESTON
PACIFICORP
DBA ROCKY MOUNTAIN POWER
201 S MAIN ST STE 2300
SALT LAKE CITY UT 84111



SECRETARY

CERTIFICATE OF SERVICE